

Figs. 4A and 4B show a flowchart of the second embodiment of the present invention.

Figs. 5A and 5B show a flowchart of the third embodiment of the present invention.

Figs. 6A and 6B show a flowchart of the fourth embodiment of the present invention.

Fig. 7 shows a modification of the first embodiment of the present invention.

Fig. 8 shows the Charitable Endowment Life Insurance Policies (CELIP) as used within the present invention.

Fig. 9 shows a computerized implementation of the present invention.

Fig. 10 shows the implementation of Fig. 9 integrated within a service entity.

Please replace paragraph 0039 with the following:

The second embodiment differs from the first in tax consequences. In the second embodiment, no inside build-up occurs, and the tax consequences are handled by an insurer 402 shown in Fig. 4 which is not present in Fig. 3. Hereafter, Fig. 4 is construed to mean Figs. 4A and 4B taken collectively. This insurer 402 also manages the investment trust 314, which unlike the first embodiment in Fig. 3, is not an account of the life insurance policy 312. Because in embodiments 2-4 the investment is not an internal component of the policy 312, the Service Fee 200 must be accounted for separately. Accordingly, the \$100,000 Service Fee 200 of Fig. 2 is shown within the first embodiment in Fig. 3 as the Mortality and Expenses from Annuity Income box and is labeled '\$100K'. The second embodiment (and the third and fourth) differ from the first in that the Service

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Fee 200 from Fig. 2 is indicated by the box "Management Fees" in Figs. 4-6 rather than the box "Mortality and Expenses", but is also labeled \$100K.

Please replace paragraph 0041 with the following:

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Embodiments three and four include the administration of investing in widely available insurance contracts through a unique trust, business entity and partnership arrangement. This arrangement is employed in order to closely track and direct the income tax liability 502, as shown in Fig. 5. Hereafter, Fig. 5 is construed to mean Figs. 5A and 5B taken collectively. In the third and fourth embodiments, investment growth no longer occurs inside an insurance policy, and is therefore no longer characterized as "inside build-up". Instead, owners of management company 504 that are normal business entities but have either substantial income tax credits, tax-favored status, or otherwise reduced income tax exposure, receive a significant amount of the income tax liability. This improves the cash flow available to fund the other components of the arrangement and therefore significantly widens its marketability.

Please replace paragraph 0046 with the following:

a4

The fourth embodiment differs from the third in that the annuity is purchased by a subsidiary 604 of the tax favored business entity so that the tax obligation is passed to the tax-favored company 508, and the benefit is paid as taxable income in the form of a dividend 602, as shown in Fig. 6. Hereafter, Fig. 6 is construed to mean Figs. 6A and 6B taken collectively. Because of this, the fourth embodiment is more conducive to charities

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than the third embodiment. This is because where a charity is involved, a dividend 602 would be an acceptable distribution method since in most cases this would not be taxed to the charity. Conversely, the partnership 504 income (K-1) of the third embodiment would be a more difficult distribution method for a charity.
